

21ST ADVISOR

21st Services' Newsletter

Volume I, May 2013

Do LE order flows provide insight into the life settlement market?

Although the life settlement market contracted over the last several years, we still receive life expectancy orders from hundreds of clients annually. Where do they come from? Generally, the orders can be bucketed into four broad categories:

Category 1: Portfolio owners regularly updating life expectancies to analyze and value their portfolios;

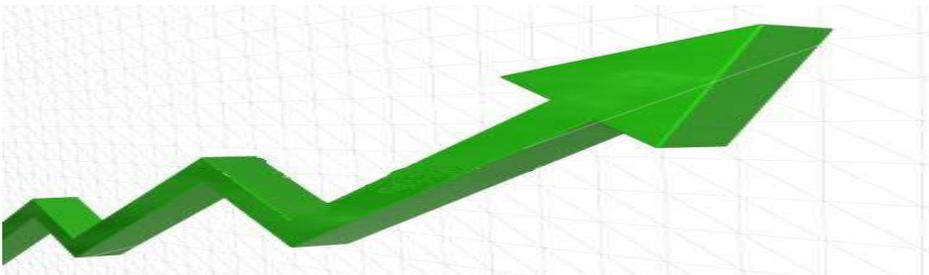
Category 2: Portfolio owners updating portfolios for the first time in years (typically for analysis, valuation or in preparation for sale);

Category 3: Life settlement brokers representing seniors; and

Category 4: Vertically integrated providers purchasing policies for their accounts.

Through April 15th of this year, our orders (excluding complimentary re-issues) are up 7% vs. the same time period in 2012. We find this encouraging for two reasons. One, this is the first time since 2008 where we experienced an increase in life expectancy orders year over year. Second, the numbers are particularly encouraging in light of our volumes being off nearly 33% in the three weeks following our January adjustments to methodology and tables.

A closer look at the numbers however, raises a concern for the overall market. Although the tertiary market seems to be doing well as we experienced growth in Category 2, the annual trend of decreasing broker orders (Category 3) continues. Despite receiving significantly more orders from two of our top ten broker clients, our overall broker orders declined approximately 33% versus the same time period last year. This coincides closely with our "unique lives" (i.e., lives we underwrite for the first time) being off by nearly 35% versus last year. The secondary market is clearly struggling to regain traction and return to growth. For the industry to thrive and seniors to have access to a vibrant market, we need to reinvigorate the secondary market.



We are modern-day advisors in life expectancy analysis & life investment services.

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Changes to the 21st Services Team

After five years, we say goodbye to Vince Granieri. Vince has dedicated a good portion of his career to the life settlement industry and 21st Services. We wish Vince the best in his future endeavors.

At 21st Services it is our goal to provide excellent products and services to our clients. We are very excited to announce an addition to our team that will undoubtedly help us achieve that goal; Cory Cates joined our team April 1st and is working from our New York office. Cory previously worked at Credit Suisse for 8 years (which included several years as Global Head of IT for Credit Suisse's longevity business). Cory is a quantitative finance technologist with a Ph.D. in Plasma Physics and a M.S. in applied physics and applied mathematics, both from Columbia University. With many years of life settlement experience, Cory adds instant depth to our data analytic capabilities and will play a key role in helping our clients evaluate longevity, policy and portfolio risk.

New Address for New York

Please note, we relocated our New York office to 1271 Avenue of the Americas, Suite 4300, New York, New York 10020. The office number is 212-378-6730. Ralph Medici, the head of our New York office, manages a team of nearly 35 people who provide full servicing to life settlement participants including medical record retrieval, premium optimization, portfolio analytics, tracking and policy support. If your business brings you to New York, please visit our New York office. Of course, industry participants are always welcome to visit our Minneapolis, Minnesota headquarters and this is the time of year to do it!

Underwriting Corner

In the "Underwriting Corner" of the 21st Advisor, we will highlight our current areas of research focus and summarize recent findings that may be of interest to our clients.

Since January, we have been studying the impact of co-morbidity on our most impaired lives. We are also analyzing the impact of underwriting wear-off on our healthiest insureds (i.e., those with relatively few impairments who exhibit multiple factors that lead to increased longevity). Any conclusions drawn from this research will be shared in our next quarterly edition of the 21st Advisor.



We are modern-day advisors in life expectancy analysis & life investment services.

Independent service provider for the life settlement industry.

Offering:

- Data & Portfolio Analytics
- Medical Record & Rx Retrieval
- Life Expectancies
- Pre-Acquisition Advisory & Diligence Services
- Full Portfolio Servicing & Advisory Services

Ask 21st ...

In this section of the 21st Advisor, we address questions frequently raised by our clients. In this edition, we answer two common questions following our January methodology adjustments.

Did the Adjustments Announced in January Impact Clinical Review LEs (commonly referred to as “Dr. Reviews”)?

No. For insureds with certain life threatening impairments, our underwriting group consults with our team of leading medical specialists to determine the appropriate life expectancy. The medical specialists provide an estimate of the median life expectancy in months and that is the number provided on the life expectancy certificate. The certificate also includes a summary of the insured’s conditions and the overall assessment. The estimates provided by the physicians have not been altered or influenced by our table and underwriting adjustments as our Clinical Reviews are dealing with a different population, the critically ill.

Is 21st Services Contemplating Additional Changes to its Underwriting Tables and Methodology?

In January 2013, following six months of intensive data analytics, we announced significant adjustments to our underwriting tables and methodology. The adjustments, our first in nearly five years for the tables and nearly eight years for underwriting, impacted all of our life expectancy estimates and understandably had a significant impact on market participants.

Today, we believe we have the industry’s most comprehensive and well maintained life settlement dataset, having implemented a system to capture over 230 variables related to each insured nearly ten years ago. We also have an amazing team of internal and external data analysts, epidemiologists, actuaries, underwriters and medical advisors capable of analyzing the data and medical research and transforming it into useful information for our clients.

As longevity, data and research will always be dynamic, we are confident that our commitment to continued investment in research and analytics will lead to further improvements in our underwriting and products in the future. However, as our process is to continually review data and research, the impact of future adjustments should be more nuanced and concentrated.



We are modern-day advisors in life expectancy analysis & life investment services.

Contact Us

Give us a call for more information about our services and products

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